

The Financial Times of Indiana

House Bill 1004 News from the Office of Governor Frank O'Bannon

Thursday, March 14, 2002

www.IN.gov/gov

The News in brief...

Governor O'Bannon this morning called on all Indiana lawmakers to continue working on the bill that would provide the state with a solution to its \$1.3 billion budget shortfall, protect homeowners from double-digit property tax increases and help grow good jobs. With a midnight deadline looming, the Governor said there is still time to reach compromise on the bill that some have declared dead.

"Let's get on with it," the Governor said shortly before noon today.

Indiana is facing a budget shortfall caused largely by the national recession, which hit Indiana before most other states because of the many manufacturing businesses in the state. But since the recession started, 44 other states have been plagued with budget difficulties caused by the recession.

Like most people would do if they received a pay cut or lost their jobs, Governor O'Bannon took immediate action when the state's revenues started to decline. He froze state employees' salaries and imposed a strategic hiring freeze. He cut agency budgets, and he put together a plan that would cut \$782 million from the state's current budget.

He also asked the General Assembly to approve small increases in the cigarette tax and in the gaming admissions tax because without that revenue, he would have to cut more from the state budget. In cutting \$782 million, he tried to shield public schools and universities as much as possible because of the important role education plays in Hoosier children's future.

But education is also the state's biggest expense – it represents 55 percent of the state's budget. So, if Governor O'Bannon is forced to cut deeper than the \$782 million, it will be very difficult to continue to shield education.

All but \$203 million of the total \$782 million in cuts have been announced. They include: the frozen salaries; severe restrictions on employee travel; the elimination of hundreds of state jobs; the elimination of some state programs; and the closure of many state park recreational programs.

And there is still \$203 million left to cut.

If the General Assembly does not provide additional state revenue, there will be additional cuts. One analysis projects that without additional revenue, the state will have to spend every dime of its reserve accounts and actually have a negative balance of \$394 million by June 30, 2003.

That's why Governor O'Bannon is encouraging lawmakers to continue working on a solution until the very last minute.

Two Special Sessions for Oregon

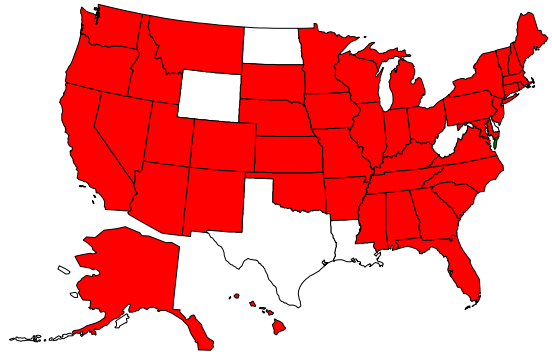
Oregon's Governor used his line-item veto power to make adjustments to a balanced budget plan lawmakers sent him after their second special session. The Oregon Legislature was grappling with an estimated \$846 million budget shortfall.

In Indiana, Governor O'Bannon is still trying to get lawmakers to agree on a balanced budget plan that will not force deep education cuts. He does not have line-item veto power.

Read the full story about what's going on in Oregon:

<http://www.newsday.com/news/nationworld/nation/wire/sns-ap-brf-oregon-budget0314mar13.story?coll=sns%2Dap%2Dnation%2Dheadlines>

Budget Shortfalls Across the Nation



Red depicts states with budget shortfalls projected for FY 2002

Source: National Association of State Budget Officers (NASBO)

<http://www.nasbo.org>

What's At Risk

55% of the State Budget

Education totals 55% of Indiana's budget. That's because providing Hoosier children with the very best start in life possible is one of the most important obligation the state has. In testimony supporting HB 1004, Governor O'Bannon said he did not want to raise taxes to balance the budget. But, he said, "In a choice between those taxes (cigarette and gaming) and our schools, I will pick Indiana's children every time."

Classroom Teachers

When the Governor announced a \$115 million cut in state support to schools to help balance the budget, school officials across the state immediately took action. The Governor's plan and HB 1004 gave schools a remedy to replace that cut, but school leaders feared the bill would not pass, leaving them with less money to educate our children. They called for passage of the bill, saying without it, as many as 2,800 teachers would likely be laid-off from Indiana schools.

Summer School

Some students need extra help, and get it by attending summer school. Others choose to attend summer classes to enhance their knowledge. But without sufficient revenue, summer school may not be an option this year.

Gifted and Talented Programs

Some children show extra promise, and gifted and talented programs give them an extra push to reach their full potential. Without additional revenue, the Governor cannot continue to shield education as he wants, and these programs may lose funding.

Alternative Schools

Some children need alternative settings in which to learn. But without additional revenue, these opportunities might be lost.